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COMMODITY COMMENTS

June 12th, 1973

<u>Cocoa:</u>	July '73	56.50
	Dec. '73	51.45

The latest Gill and Duffus report has finally come around to our long held view (see Commodity Comments, April 12th,) that consumption in cocoa, despite its relatively high price, would hold fairly steady and perhaps even continue to increase.

World production is forecast at 1,378,000 tons after having made substantial reductions in estimates for the Brazilian Temporao crop, Ghana and Nigeria. Grindings are forecast at 1,547,000, an increase of 5,000 tons over the 1972 grind in spite of the 100% increase in prices. Should our long held view that grindings would increase by 2½% over 1972 hold, total production deficit would be raised from the present forecast of 197,000 tons to 230,000 tons. Gill & Duffus points out that closing stocks may amount to some 2.8 months' supply at the current rate of grind. This figure represents a far larger degree of tightness than during 1965-1966 when stocks were much larger than at present & the ratio of availability to consumption considerably higher. Since the 1965-1966 season saw a high of 44¢/lb. & the dollar has since been devalued by as much as 40% vis a vis leading European currencies, one could project a minimum dollar objective of 75¢/lb. for cocoa over the next few months.

From a technical point of view, open interest remains fairly flat at just under 18,000 contract, in line with the previous five year average and volume remains fairly light, averaging less than 2,000 contracts daily. These are indications that the public has as yet not entered the market in any meaningful way. A further indication of the lack of speculative enthusiasm (and, therefore, a very healthy sign) are the recent consensus figures on bullishness showing a drop to 60% from the previous 79%.

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In short, this market remains fairly free from speculative excesses and conceptually should reach the mid-70's over the next few months.

Remain firmly long and avoid placing stops.

N. Y. Silver:

July '73 246.60

A very significant downward revision of industry stocks for the last quarter of 1972 along with rising gold prices enabled silver futures to reach new all-time highs, with July '73 crossing 278.00 on June 5th.

Essentially, the Bureau of Mines adjusted final 1972 industry stocks figures to 52.1 Million from 63.6 million ounces & reported further that for the first quarter of 1973 they stood at a mere 45.9 million ounces. Those familiar with our inventory-cycle model developed last March (Commodity Comments, Mar. 27th) will no doubt see the extraordinary significance of this low level of stocks; in fact what we projected to be a potential re-stocking demand of the order of 30-45 million ounces over 3-6 months, may now turn out to no less than 90-105 million ounces, an absolutely staggering figure.

The Bureau of Mines quarterly statistics also show that consumption increased by 35% over the first quarter of 1972. When extrapolated, these figures could mean total end user consumption of 200 million ounces for 1973 vs. 149 million ounces for 1972.

An inponderable in the present bullish equation is what Nixon may do tomorrow night in his economic speech regarding the dollar. While any major moves on the domestic and international front may bring out some emotional selling, the strong underlying fundamental situation should eventually reassert itself & send prices into new high ground.

The small bulge in the open interest figures last week proved to be the harbinger of the recent shakeout. With July '73 touching 243.00 (intraday low), a 50% retracement of the May-June advance has already taken place. Thus, from a short term trading outlook the downward correction seems to have run its course.

Maintain previously established long position; new trading positions may be established at these levels. Again, we counsel against the use of stops loss orders in silver.

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TECHNICAL TRENDS

Copper: July '73 77.20

The trend has definitely turned upwards. Looking still higher.

Corn: July '73 2.30 3/4
Dec. '73 2.21 3/8

Continues on trend and higher.
Remain long and move up protective stop to 2.05 basis July '73.

Coffee: July '73 63.95
Sep. '73 67.15

The greatly reduced level of open interest and trading presage better times ahead. For the moment, however, maintain previously suggested stops on long positions at 63.50.

Cotton: Dec. '73 49.50

Short positions established over 46.00 basis December '73 were stopped out @48.85, the season's highs as per our previous suggestion.

Again here, the relatively subdued level of open interest coupled with an unusually low bullish consensus, may indicate higher prices ahead.

Establish new long positions on December '73 moving above 51.00.

Gold London Second Fixing 115.50
July '73 (Winnipeg) 113.65

The lower closing in Winnipeg underlines (a) the persistent trend of postfixing selling pressure of late & (b) the emergence of a market direction in Winnipeg, largely attributed to increased professional participation. In fact, for most of the last few weeks, a lower Winnipeg close (vis a vis the London fixing) indicated a lower morning-after Fixing price. Volume, on a daily basis, has already surpassed 200 contracts; when consideration is given to the extremely high level of margin requirement (\$8,000/contract), Winnipeg gold begins to compare favorably with some of the smaller N.Y. Commodity markets (e.g. Orange Juice, Platinum, etc.).

The purchasing power theory says \$140/oz.; the "convertibility of external U.S. liabilities" theory says \$240/oz. and many self-made pundits predict a move to \$200/oz. We prefer to follow the uptrend without too many preconceived notions.

Remain long and leave stop at 104.00 basis London Second Fixing.

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<u>Live Cattle</u>	October '73	46.95
<u>Live Hogs</u>	October '73	39.22
<u>Bellies</u>	July '73	56.62

The mark up experienced to date has been relatively orderly while volume & open interest remain subdued. We're still looking for far higher prices ahead.

Remain long with no stops.

<u>Platinum:</u>	July '73	147.50
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Despite its incredibly low valuation (vis a vis other precious metals) we have been dislodged from long positions by July closing below 152.00.

Chart support at this level should stop further erosion for the moment.

Canadian Silver Coins:

Spot	1150-1280
July '73	1200-1290
Sep. '73	1230-1320
Dec. '73	1270-1360
Mar. '73	1320-1390

A firm tone prevailed last week with strong dealer interest, good investor offtake & a paucity of offerings even at the higher levels.

Discount to bullion has narrowed to 11% on the offering prices from 17% prevailing two weeks ago.

Silver coins in circulation continue to drop off and the end of the barrel may be coming in sight.

Purchases of December '73 and March '74 will be amply rewarded providing bullion prices remain at least at these levels.

<u>World Sugar #11:</u>	July '73	9.29
	Sep. '73	8.99

Our long positions in September '73 sugar taken @8.90 were stopped out at 9.70 as per previous suggestion.

We were right in worrying about the huge open interest which indicated a very large public participation.

The low of the move may come on the 14th of this month, first notice day for July '73 sugar.

We'd prefer to buy call option on London October sugar at the time.

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Rubber:

July/Sep. '73	28.50-28.90p. per kilo
Oct./Dec. '73	28.30-28.40p. per kilo
July/Sep. '74	27.55-27.65p. per kilo

The spread continues to widen in our favor. More importantly, long positions suggested here last week at the 24.75 level are showing very handsome profits.

This market, long neglected, could become one of the real glamor situations of 1973. Contract calls for 15 tons; every 1.00 p. per kilo represents a £150 gain; margin is \$1000 and round turn commission is \$75.00.

Zinc:

3 months £243.50

Instead of puts we would have been well advised in buying calls.

At any rate, Put options bought for premium £6 at striking 214.50-218.50 can only lose us £150.00 regardless of how high Zinc goes.

Albert D. Friedberg
Vice-President
Commodity Futures

All statement made herein, while not guaranteed, are based on information considered reliable and are believed by us to be accurate.